

ORIGINAL

OPEN MEETING
MEMORANDUM



Arizona Corporation Commission

DOCKETED

MAR 29 2016

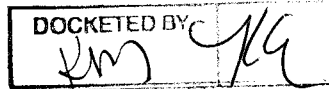
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MAR 29 2016 P 4: 45

TO: THE COMMISSION

FROM: Utilities Division

DATE: March 29, 2016



AZ CORP COMMISSION
DOCKET CONTROL

RE: IN THE MATTER OF THE APPLICATION OF TUCSON ELECTRIC POWER COMPANY FOR APPROVAL OF REVISED RIDER R-3 FOR NET METERED CUSTOMERS (DOCKET NO. E-01933A-16-0038)

Background

On February 1, 2016, Tucson Electric Power Company ("TEP" or "Company") filed an application for approval of its revised Rider R-3 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction with Rider R-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). TEP's Rider R-3 specifies the methodology for calculating the rate to be paid for purchases of excess energy from Net Metering Facilities. The rate is listed on the TEP Statement of Charges. The last revision of the Rider R-3 rate was approved by the Commission's Decision No. 74973 (March 16, 2015).

For Net Metering customers, each calendar year, for customer bills produced in October (September usage) or for a customer's "final" bill, the Company credits the customer for any balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is at the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its Rider R-3 applicable to NM-PRS. Rider R-3 indicates that the MCCCG will be filed annually (by February 1) by TEP for approval by the Commission.

Proposed Tariff

TEP's proposed revision to the Rider R-3 rate reflects a lower MCCCG and therefore decreases the avoided cost rate from \$0.028653 per kWh to \$0.025204¹ per kWh for purchases of excess energy from Net Metering Facilities.

Staff has reviewed TEP's hourly marginal costs that resulted in the \$0.025204 rate and finds the data and calculations to be reasonable.

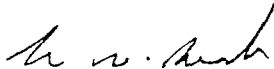
¹ The application used the rate \$0.0252036, but the Company has indicated to Staff that the rate should be rounded to six decimal places, as included in the Statement of Charges that was attached to the application.

Recommendations

Staff recommends that TEP's revised R-3 MCCCCG as applicable to Rider R-4 NM-PRS be approved.

Staff further recommends that the avoided cost rate of \$0.025204 per kWh should be effective as of April 1, 2016.

Staff further recommends that TEP file a Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.



Thomas M. Broderick
Director
Utilities Division

TMB:JJP:vsc\RRM

ORIGINATOR: Jeffrey Pasquinelli

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 DOUG LITTLE

 Chairman

3 BOB STUMP

 Commissioner

4 BOB BURNS

 Commissioner

5 TOM FORSEE

 Commissioner

6 ANDY TOBIN

 Commissioner

7
8 IN THE MATTER OF THE APPLICATION
9 OF TUCSON ELECTRIC POWER
10 COMPANY FOR APPROVAL OF REVISED
11 RIDER R-3 FOR NET METERED
12 CUSTOMERS.

DOCKET NO. E-01933A-16-0038

DECISION NO. _____

ORDER

13
14 Open Meeting
15 April 12 and 13, 2016
16 Phoenix, Arizona

17 BY THE COMMISSION:

18 FINDINGS OF FACT

19 1. Tucson Electric Power Company, Inc. ("TEP" or "Company") is certificated to
20 provide electric service as a public service corporation in the State of Arizona.

21 Background

22 2. On February 1, 2016, TEP filed an application for approval of its revised Rider R-3
23 Market Cost of Comparable Conventional Generation ("MCCCG") which is used in conjunction with
24 Rider R-4, Net Metering for Certain Partial Requirements Service ("NM-PRS"). TEP's Rider R-3
25 specifies the methodology for calculating the rate to be paid for purchases of excess energy from Net
26 Metering Facilities. The rate is listed on the TEP Statement of Charges. The last revision of the Rider
27 R-3 rate was approved by the Commission's Decision No. 74973 (March 16, 2015).

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...

3. For Net Metering customers, each calendar year, for customer bills produced in October (September usage) or for a customer's "final" bill, the Company credits the customer for any balance of excess kWhs remaining. The payment for the purchase of these excess kWhs is at the Company's applicable avoided cost. TEP has defined its avoided cost as the average hourly market cost of comparable conventional generation as specified on its Rider R-3 applicable to NM-PRS. Rider R-3 indicates that the MCCCCG will be filed annually (by February 1) by TEP for approval by the Commission.

Proposed Tariff

4. TEP's proposed revision to the Rider R-3 rate reflects a lower MCCCCG and therefore decreases the avoided cost rate from \$0.028653 per kWh to \$0.025204¹ per kWh for purchases of excess energy from Net Metering Facilities.

5. Staff has reviewed TEP's hourly marginal costs that resulted in the \$0.025204 rate and finds the data and calculations to be reasonable.

Recommendations

6. Staff has recommended that TEP's revised Rider R-3 MCCCCG as applicable to Rider R-4 NM-PRS be approved.

7. Staff has further recommended that the avoided cost rate of \$0.025204 per kWh should be effective as of April 1, 2016.

8. Staff has further recommended that TEP file a Statement of Charges consistent with the Decision in this case within 15 days of the effective date of the Decision.

CONCLUSIONS OF LAW

1. TEP is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over TEP and over the subject matter of the application.

¹ The application used the rate \$0.0252036, but the Company has indicated to Staff that the rate should be rounded to six decimal places, as included in the Statement of Charges that was attached to the application.

1 3. Approval of the revised Rider R-3 MCCCCG does not constitute a rate increase as
2 contemplated by A.R.S. Section 40-250.

3 4. The Commission, having reviewed the application and Staff's Memorandum dated
4 March 4, 2016, concludes that the revised Rider R-3 MCCCCG should be approved as discussed herein.

5 ORDER

6 IT IS THEREFORE ORDERED that Tucson Electric Power Company's revised Rider R-3
7 Market Cost of Comparable Conventional Generation as applicable to Rider R-4 is approved as
8 discussed herein.

9 IT IS FURTHER ORDERED that the avoided cost rate of \$0.025204 per kWh should be
10 effective as of April 1, 2016.

11 IT IS FURTHER ORDERED that Tucson Electric Power shall file in Docket Control a
12 Statement of Charges consistent with the Decision in this case within 15 days of the effective date of
13 the Decision.

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IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, JODI JERICH, Executive Director of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this _____ day of _____, 2016.

JODI JERICH
EXECUTIVE DIRECTOR

DISSENT: _____

DISSENT: _____

TMB:JJP:vsc/RRM

Decision No. _____

1 SERVICE LIST FOR: Tucson Electric Power Company
2 DOCKET NO. E-01933A-16-0038

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11 Arizona Corporation Commission
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